

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Buchanan	County Berrien
Fiscal Year End 03/31/2006	Opinion Date 10/16/2006	Date Audit Report Submitted to State 12/26/2006	

We affirm that:

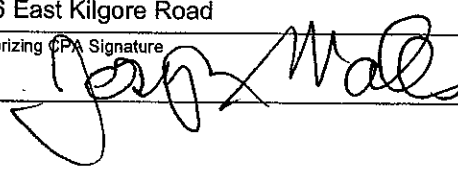
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | 4. The local unit has adopted a budget for all required funds. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. A public hearing on the budget was held in accordance with State statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. The local unit only holds deposits/investments that comply with statutory requirements. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. The local unit is free of repeated comments from previous years. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. The audit opinion is UNQUALIFIED. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. The board or council approves all invoices prior to payment as required by charter or statute. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | 15. To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	No other required documentation	
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number 269-381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
		Zip 49002	
Authorizing CPA Signature 		Printed Name Joseph M Walls, CPA	License Number 1101013696

Township of Buchanan
Berrien County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2006

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Buchanan, Michigan**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Buchanan, Michigan, as of March 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Buchanan, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Buchanan, Michigan, as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 18 through 20, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Buchanan, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Board of Trustees
Township of Buchanan, Michigan
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Buchanan, Michigan's, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

October 16, 2006

BASIC FINANCIAL STATEMENTS

Township of Buchanan
STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 963,176
Receivables, net	119,380
Prepaid expenses	<u>13,685</u>
Total current assets	<u>1,096,241</u>
Noncurrent assets:	
Receivables, net	221,094
Capital assets not being depreciated - land	124,188
Capital assets, net of accumulated depreciation	<u>1,183,180</u>
Total noncurrent assets	<u>1,528,462</u>
Total assets	<u>2,624,703</u>
LIABILITIES	
Current liabilities:	
Payables	118,890
Current maturities of long-term debt	<u>76,000</u>
Total current liabilities	194,890
Noncurrent liabilities:	
Long-term debt	<u>462,000</u>
Total liabilities	<u>656,890</u>
NET ASSETS	
Invested in capital assets, net of related debt	769,368
Restricted for:	
Public safety	208,040
Debt service	383,692
Unrestricted	523,175
Unrestricted reported in nonmajor - special revenue funds	<u>83,538</u>
Total net assets	<u>\$ 1,967,813</u>

See notes to financial statements

Township of Buchanan
STATEMENT OF ACTIVITIES
Year ended March 31, 2006

	<u>Program revenues</u>			<u>Net (expenses)</u> <u>revenues and</u> <u>changes in</u> <u>net assets</u>
	<u>Expenses</u>	<u>Charges for</u> <u>services</u>	<u>Operating</u> <u>grants and</u> <u>contributions</u>	<u>Governmental</u> <u>activities</u>
Functions /Programs				
Governmental activities:				
Legislative	\$ 5,873	\$ -	\$ -	\$ (5,873)
General government	250,111	38,088	-	(212,023)
Public safety	175,716	51,785	1,138	(122,793)
Public works	21,915	2,337	4,311	(15,267)
Community and economic development	3,907	3,805	-	(102)
Recreation and culture	2,467	-	67,000	64,533
Interest on long-term debt	37,769	13,991	-	(23,778)
Total governmental activities	\$ 497,758	\$ 110,006	\$ 72,449	(315,303)
General revenues:				
Taxes				194,653
State grants				243,852
Franchise fees				18,699
Investment income				32,081
Other				159
Total general revenues				489,444
Change in net assets				174,141
Net assets - beginning				1,793,672
Net assets - ending				\$ 1,967,813

See notes to financial statements

Township of Buchanan
BALANCE SHEET - governmental funds
 March 31, 2006

	<u>General</u>	<u>Fire</u>	<u>Sewer Debt Service</u>	<u>Other governmental funds</u>	<u>Totals</u>
ASSETS					
Cash	\$ 470,733	\$ 198,988	\$ 209,917	\$ 83,538	\$ 963,176
Receivables	<u>114,759</u>	<u>5,458</u>	<u>220,257</u>	<u>-</u>	<u>340,474</u>
Total assets	<u>\$ 585,492</u>	<u>\$ 204,446</u>	<u>\$ 430,174</u>	<u>\$ 83,538</u>	<u>\$ 1,303,650</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 59,489	\$ 12,919	\$ 33,227	\$ -	\$ 105,635
Deferred revenue	<u>52,800</u>	<u>-</u>	<u>217,456</u>	<u>-</u>	<u>270,256</u>
Total liabilities	<u>112,289</u>	<u>12,919</u>	<u>250,683</u>	<u>-</u>	<u>375,891</u>
Fund balances:					
Reserved for building inspections	16,513	-	-	-	16,513
Unreserved, undesignated	<u>456,690</u>	<u>191,527</u>	<u>179,491</u>	<u>83,538</u>	<u>911,246</u>
Total fund balance	<u>473,203</u>	<u>191,527</u>	<u>179,491</u>	<u>83,538</u>	<u>927,759</u>
Total liabilities and fund balances	<u>\$ 585,492</u>	<u>\$ 204,446</u>	<u>\$ 430,174</u>	<u>\$ 83,538</u>	<u>\$ 1,303,650</u>

Total fund balances - governmental funds \$ 927,759

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	1,307,368
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.	13,685
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	270,256
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(13,255)
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(538,000)</u>
Net assets of <i>governmental activities</i>	<u>\$ 1,967,813</u>

Township of Buchanan
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - governmental funds
Year ended March 31, 2006

	<u>General</u>	<u>Fire</u>	<u>Sewer Debt Service</u>	<u>Other governmental funds</u>	<u>Totals</u>
REVENUES					
Taxes	\$ 110,037	\$ 112,289	\$ -	\$ -	\$ 222,326
Licenses and permits	70,569	-	-	-	70,569
Intergovernmental	-	-	-	865	865
State grants	248,163	-	-	-	248,163
Charges for services	12,610	-	-	-	12,610
Interest and rentals	25,563	3,114	18,803	1,589	49,069
Other	25,048	1,249	28,488	67,000	121,785
Total revenues	<u>491,990</u>	<u>116,652</u>	<u>47,291</u>	<u>69,454</u>	<u>725,387</u>
EXPENDITURES					
Legislative	5,873	-	-	-	5,873
General government	240,294	-	-	-	240,294
Public safety	45,712	57,763	-	-	103,475
Public works	24,184	-	-	-	24,184
Community and economic development	3,907	-	-	-	3,907
Recreation and culture	-	-	-	1,527	1,527
Capital outlay	22,119	6,562	-	-	28,681
Debt service:					
Principal	38,000	-	35,000	-	73,000
Interest	11,450	-	23,227	-	34,677
Total expenditures	<u>391,539</u>	<u>64,325</u>	<u>58,227</u>	<u>1,527</u>	<u>515,618</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	100,451	52,327	(10,936)	67,927	209,769
FUND BALANCES - BEGINNING	<u>372,752</u>	<u>139,200</u>	<u>190,427</u>	<u>15,611</u>	<u>717,990</u>
FUND BALANCES - ENDING	<u>\$ 473,203</u>	<u>\$ 191,527</u>	<u>\$ 179,491</u>	<u>\$ 83,538</u>	<u>\$ 927,759</u>
Net change in fund balances - total governmental funds					\$ 209,769
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:					
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.					
Add: Capital asset acquisitions					25,236
Deduct: Provision for depreciation					(78,115)
Long-term debt - principal payments					73,000
Changes in other liabilities:					
Net increase in prepaid expenses					831
Changes in other liabilities:					
Net decrease in accrued interest					(3,092)
Net decrease in deferred revenue					(53,488)
Change in net assets of <i>governmental activities</i>					<u>\$ 174,141</u>

See notes to financial statements

Township of Buchanan

STATEMENT OF FIDUCIARY NET ASSETS - *agency funds*

March 31, 2006

ASSETS

Cash	<u>\$ 79,056</u>
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LIABILITIES

Due to other governmental units	<u>\$ 79,056</u>
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See notes to financial statements

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Buchanan, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the financial resources used for the operational costs of the Township public safety functions. Revenues are primarily derived from property taxes.

The Sewer Debt Service Fund accounts for the issuance and payment of debt related to sewer improvements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

The Township reports a single fiduciary fund, its Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., shared road costs and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (Continued):

iv) Capital assets (continued) - either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	20 - 40 years
Buildings and improvements	20 - 40 years
Equipment	3 - 5 years
Vehicles	10 - 20 years
Shared road costs	20 years

v) Deferred revenue - In the fund financial statements, governmental funds report deferred revenue in connection with resources for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) Special assessment recognition - In governmental funds, special assessment revenue is recorded as deferred when initially assessed. Revenues are recognized to the extent that special assessments are collected. Interest income on special assessments receivable is not accrued until its due date.

viii) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

Excess of expenditures over appropriations in budgetary funds - P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Assessor	\$ 46,280	\$ 49,128	\$ (2,848)
		Treasurer	17,922	19,616	(1,694)
		Other	74,212	93,098	(18,886)
	Public safety	Building inspections	40,347	45,712	(5,365)
	Public works	Drains	45	1,410	(1,365)
	Capital outlay	Capital outlay	3,500	22,119	(18,619)
Mud Lake Bog	Recreation and culture	Parks	-	1,527	(1,527)

NOTE 3 - CASH:

Cash as presented in the accompanying financial statements, consists of the following:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Total</u>
Deposits	\$ 962,921	\$ 79,056	\$ 1,041,977
Cash on hand	<u>255</u>	<u>-</u>	<u>255</u>
	<u>\$ 963,176</u>	<u>\$ 79,056</u>	<u>\$ 1,042,232</u>

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2006, \$799,465 of the Township's bank balances of \$1,138,461 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 7,792	\$ 4,613	\$ -	\$ 102,354	\$ 114,759
Fire	-	5,458	-	-	5,458
Sewer Debt Service	-	-	220,257	-	220,257
Totals	<u>\$ 7,792</u>	<u>\$ 10,071</u>	<u>\$ 220,257</u>	<u>\$ 102,354</u>	<u>\$ 340,474</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,294</u>	<u>\$ 27,800</u>	<u>\$ 221,094</u>

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 124,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,188</u>
Capital assets being depreciated:				
Land improvements	42,075	9,500	-	51,575
Buildings and improvements	787,955	-	-	787,955
Equipment	190,063	15,736	-	205,799
Vehicles	<u>709,191</u>	<u>-</u>	<u>-</u>	<u>709,191</u>
Subtotal	<u>1,729,284</u>	<u>25,236</u>	<u>-</u>	<u>1,754,520</u>
Less accumulated depreciation for:				
Land improvements	(1,323)	(1,203)	-	(2,526)
Buildings and improvements	(118,219)	(19,373)	-	(137,592)
Equipment	(118,697)	(26,490)	-	(145,187)
Vehicles	<u>(252,717)</u>	<u>(33,318)</u>	<u>-</u>	<u>(286,035)</u>
Subtotal	<u>(490,956)</u>	<u>(80,384)</u>	<u>-</u>	<u>(571,340)</u>
Total capital assets being depreciated, net	<u>1,238,328</u>	<u>105,620</u>	<u>-</u>	<u>1,183,180</u>
Governmental activities capital assets, net	<u>\$ 1,362,516</u>	<u>\$ 105,620</u>	<u>\$ -</u>	<u>\$ 1,307,368</u>

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 10,214
Public safety	69,230
Recreation and culture	<u>940</u>
Total governmental activities	<u>\$ 80,384</u>

NOTE 6 - PAYABLES:

Payables as of year end for the government's individual major funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Escrow</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 32,443	\$ 19,375	\$ -	\$ 7,671	\$ 59,489
Fire	7,838	5,081	-	-	12,919
Sewer Debt	<u>-</u>	<u>-</u>	<u>33,212</u>	<u>15</u>	<u>33,227</u>
Total	<u>\$ 40,281</u>	<u>\$ 24,456</u>	<u>\$ 33,212</u>	<u>\$ 7,686</u>	<u>\$ 105,635</u>

NOTE 7 - DEFERRED REVENUE:

As of March 31, 2006, the various components of deferred revenue are as follows:

<u>Fund</u>	<u>Inter- governmental receivable</u>	<u>Special assessments</u>	<u>Totals</u>
	<u>Unavailable</u>	<u>Unavailable</u>	
Governmental activities:			
General	\$ 52,800	\$ -	\$ 52,800
Sewer Debt	<u>-</u>	<u>217,456</u>	<u>217,456</u>
Totals	<u>\$ 52,800</u>	<u>\$ 217,456</u>	<u>\$ 270,256</u>

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM DEBT:

Long-term debt at March 31, 2006, is comprised of the following issues:

Note payable:

\$380,000 note payable - mortgage for construction of new fire station, due in annual installments of \$30,000 to \$45,000 through November 2009; plus interest at 5.36%, payable bi-annually in April and November. \$ 173,000

Contract payable:

\$715,000 1996 limited tax general obligation sanitary sewer disposal and water distribution system serial bonds, due in annual installments of \$35,000 to \$50,000 through May 2015; plus interest at 5.0% to 5.8%. 365,000

Total long-term liabilities \$ 538,000

All debt is secured by the full faith and credit of the Township. Long-term liability activity for the year ended March 31, 2006, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
\$380,000 Note payable	\$ 211,000	\$ -	\$ (38,000)	\$ 173,000	\$ 41,000
\$715,000 Contract payable	<u>400,000</u>	<u>-</u>	<u>(35,000)</u>	<u>365,000</u>	<u>35,000</u>
Total notes and contracts	<u>\$ 611,000</u>	<u>\$ -</u>	<u>\$ (73,000)</u>	<u>\$ 538,000</u>	<u>\$ 76,000</u>

Debt service requirements at March 31, 2006, were as follows:

	<i>Principal</i>	<i>Interest</i>
Year ended March 31:		
2007	\$ 76,000	\$ 29,399
2008	77,000	25,227
2009	80,000	20,982
2010	80,000	16,511
2011	35,000	12,035
2012 - 2016	<u>190,000</u>	<u>29,290</u>
Totals	<u>\$ 538,000</u>	<u>\$ 133,444</u>

Township of Buchanan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - PENSION PLAN:

The Township provides pension benefits for all its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 5% of each qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township made the required contributions of \$9,959 for the year ended March 31, 2006.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 10 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2006, is as follows:

Revenues	\$ 51,785
Expenses	<u>45,712</u>
Excess of revenues over expenses	<u>\$ 6,073</u>
Cumulative excess, included in fund balance reservation of General Fund	<u>\$ 16,513</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Buchanan
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 110,884	\$ 110,884	\$ 110,037	\$ (847)
Licenses and permits	55,810	55,810	70,569	14,759
State grants	204,756	204,756	248,163	43,407
Charges for services	14,360	14,360	12,610	(1,750)
Interest and rentals	4,505	4,505	25,563	21,058
Other	25,000	25,000	25,048	48
Total revenues	<u>415,315</u>	<u>415,315</u>	<u>491,990</u>	<u>76,675</u>
EXPENDITURES				
Legislative	<u>5,718</u>	<u>5,718</u>	<u>5,873</u>	<u>(155)</u>
General government:				
Supervisor	19,724	19,724	19,327	397
Elections	1,461	1,461	138	1,323
Assessor	46,280	46,280	49,128	(2,848)
Clerk	22,172	22,172	22,500	(328)
Board of review	1,230	1,230	1,579	(349)
Treasurer	24,422	17,922	19,616	(1,694)
Building and grounds	38,146	38,146	34,908	3,238
Other	72,212	74,212	93,098	(18,886)
Total general government	<u>225,647</u>	<u>221,147</u>	<u>240,294</u>	<u>(19,147)</u>
Public safety - building inspections	<u>35,847</u>	<u>40,347</u>	<u>45,712</u>	<u>(5,365)</u>
Public works:				
Highways and streets	86,406	86,406	22,774	63,632
Drains	45	45	1,410	(1,365)
Total public works	<u>86,451</u>	<u>86,451</u>	<u>24,184</u>	<u>62,267</u>
Community and economic development - Planning and zoning	<u>5,711</u>	<u>5,711</u>	<u>3,907</u>	<u>1,804</u>
Capital outlay	<u>3,500</u>	<u>3,500</u>	<u>22,119</u>	<u>(18,619)</u>

Township of Buchanan
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Debt service:				
Principal	38,000	38,000	38,000	-
Interest	<u>12,300</u>	<u>12,300</u>	<u>11,450</u>	<u>850</u>
Total expenditures	<u>413,174</u>	<u>413,174</u>	<u>391,539</u>	<u>21,635</u>
EXCESS OF REVENUES OVER EXPENDITURES	2,141	2,141	100,451	98,310
FUND BALANCES - BEGINNING	<u>372,752</u>	<u>372,752</u>	<u>372,752</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 374,893</u>	<u>\$ 374,893</u>	<u>\$ 473,203</u>	<u>\$ 98,310</u>

Township of Buchanan
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 117,012	\$ 117,012	\$ 112,289	\$ (4,723)
Interest	525	525	3,114	2,589
Other	250	250	1,249	999
Total revenues	<u>117,787</u>	<u>117,787</u>	<u>116,652</u>	<u>(1,135)</u>
EXPENDITURES				
Public safety	74,587	74,587	57,763	16,824
Capital outlay	27,500	27,500	6,562	20,938
Total expenditures	<u>102,087</u>	<u>102,087</u>	<u>64,325</u>	<u>37,762</u>
EXCESS OF REVENUES OVER EXPENDITURES	15,700	15,700	52,327	36,627
FUND BALANCES - BEGINNING	<u>139,200</u>	<u>139,200</u>	<u>139,200</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 154,900</u>	<u>\$ 154,900</u>	<u>\$ 191,527</u>	<u>\$ 36,627</u>

SUPPLEMENTARY INFORMATION

Township of Buchanan
COMBINING BALANCE SHEET - nonmajor governmental funds
March 31, 2006

	<u>Special revenue funds</u>		<u>Total nonmajor governmental funds</u>
	<u>Mud Lake Bog</u>	<u>Sewer Replacement</u>	
ASSETS			
Cash	\$ 73,918	\$ 9,620	\$ 83,538
FUND BALANCES			
Unreserved, undesignated	\$ 73,918	\$ 9,620	\$ 83,538

Township of Buchanan**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended March 31, 2006

	<u>Special revenue funds</u>		<u>Total nonmajor governmental funds</u>
	<u>Mud Lake Bog</u>	<u>Sewer Replacement</u>	
REVENUES			
Intergovernmental	\$ -	\$ 865	\$ 865
Interest	1,314	275	1,589
Other	<u>67,000</u>	<u>-</u>	<u>67,000</u>
Total revenue	68,314	1,140	69,454
EXPENDITURES			
Recreation and culture	<u>1,527</u>	<u>-</u>	<u>1,527</u>
EXCESS OF REVENUES OVER EXPENDITURES	66,787	1,140	67,927
FUND BALANCES - BEGINNING	<u>7,131</u>	<u>8,480</u>	<u>15,611</u>
FUND BALANCES - ENDING	<u>\$ 73,918</u>	<u>\$ 9,620</u>	<u>\$ 83,538</u>

**Board of Trustees
Township of Buchanan, Michigan**

In planning and performing our audit of the financial statements of the Township of Buchanan, Michigan, for the year ended March 31, 2006, we considered its internal control in order to determine our audit procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

- Policies and procedures governing timely detection and correction of recording and classification errors in the accounting records were not effective.
- Policies and procedures governing timely reconciliation of bank balances to the general ledger cash accounts were not effective to assure accurate information for monitoring and decision making.
- Policies and procedures governing the budget process were not effective to assure all special revenue funds adopt a budget and amendments made when appropriate.

This report is intended solely for the information and use of the Township Board, management, and the Michigan Department of Treasury and is not intended to be, and should not be, used by anyone other than these specified parties.

Siegfried Crandall P.C.

October 16, 2006